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No. 10-1176

Supreme Court, U.S.
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In The
Supreme Court of the United States

NOSSAMAN LLP, AU OPTRONICS CORPORATION, AND AU OPTRONICS CORPORATION AMERICA,

Petitioners,

v.

UNITED STATES OF AMERICA,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

REPLY BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

CHRISTOPHER A. NEDEAU
VERONICA L. HARRIS
NOSSAMAN LLP
50 California Street,
34th Floor
San Francisco, CA 94111
(415) 438-7278

KIRK C. JENKINS
Counsel of Record
SEDGWICK, DETERT,
MORAN & ARNOLD LLP
1 N. Wacker Drive,
Suite 4200
Chicago, IL 60606
(312) 641-9050
kirk.jenkins@sdma.com

Counsel for Petitioners
Nossaman LLP, AU Optronics Corporation, and AU Optronics Corporation America

PARTIES TO THE PROCEEDING

Petitioners are Nossaman LLP, AU Optronics Corporation, and AU Optronics Corporation America. Respondent, who was the Appellant in the court of appeals below, is the United States.

Additional parties to the proceedings below are White & Case LLP, Toshiba Corporation, Toshiba Mobile Display Co., Ltd. (f/k/a Toshiba Matsushita Display Technology Co., Ltd.), Toshiba America Electronic Components, Inc., Toshiba America Information Systems, Inc., and K&L Gates LLP. White & Case LLP has filed a petition for writ of certiorari seeking review of the same ruling challenged herein, Case No. 10-1147.

RULE 29.6 CORPORATE DISCLOSURE STATEMENT

Petitioner AU Optronics Corporation ("AUO") is a publicly traded corporation in Taiwan that has no parent corporation, and no publicly held corporation owns 10% or more of its stock. The parent corporation of Petitioner AU Optronics Corporation America ("AUOA") is AUO (L) Corporation. Petitioner Nossaman LLP is a California limited liability partnership that has no parent corporation, and no publicly held corporation owns 10% or more of its stock.

TABLE OF CONTENTS

	Page
PARTIES TO THE PROCEEDING	i
RULE 29.6 CORPORATE DISCLOSURE STATEMENT	ii
INTRODUCTION	1
ARGUMENT	2
A. THE LAW FIRM SUBPOENAS WOULD LIKELY HAVE BEEN QUASHED IN THE FIRST, SECOND, THIRD AND TENTH CIRCUITS	2
1. The Government Disregards the Multi-Factor Test Adopted By the First and Third Circuits	3
2. The Second Circuit Would Have Quashed the Law Firm Subpoenas	7
3. The Tenth Circuit Would Likely Have Quashed the Law Firm Subpoenas As Well	10
B. THE NINTH CIRCUIT'S HOLDING RAISES SERIOUS ISSUES OF INTERNATIONAL COMITY	11
C. THE NINTH CIRCUIT'S HOLDING UNNECESSARILY LIMITS THE DISTRICT COURT'S DISCRETION UNDER RULE 17(c)(2)	13
CONCLUSION	15

TABLE OF AUTHORITIES

Page

CASES

Gambale v. Deutsche Bank AG, 377 F.3d 133 (2d Cir. 2004) 8

Grand Jury, In re, 286 F.3d 153 (3d Cir. 2002) 3, 4, 5, 6

Grand Jury Subpoena Duces Tecum Dated April 19, 1991, In re, 945 F.2d 1221 (2d Cir. 1991) 7

Grand Jury Subpoena, In re, 138 F.3d 442 (1st Cir.), *cert. denied*, 524 U.S. 939 (1998) 3, 4, 5, 6, 14

Hartford Fire Ins. Co. v. California, 509 U.S. 764 (1993) 13

Martindell v. International Tel. & Tel. Corp., 594 F.2d 291 (2d Cir. 1979) 7, 10

Minpeco S.A. v. Conticommodity Servs., Inc., 832 F.2d 739 (2d Cir. 1987) 8

Palmieri v. State of New York, 779 F.2d 861 (2d Cir. 1985) 7, 8

Securities and Exch. Comm. v. Merrill Scott & Assoc., Ltd., 600 F.3d 1262 (10th Cir. 2010) 10

Securities and Exch. Comm. v. TheStreet.com, 273 F.3d 222 (2d Cir. 2001) 8

Société Nationale Industrielle Aérospatiale v. United States Dist. Ct., 482 U.S. 522 (1987) 4, 12, 13

TABLE OF AUTHORITIES – Continued

Page

Strauss v. Credit Lyonnais SA, 242 F.R.D. 199 (E.D.N.Y. 2007) 12

United Nuclear Corp. v. Cranford Ins. Co., 905 F.2d 1424 (10th Cir. 1990), *cert. denied*, 498 U.S. 1073 (1991) 6

STATUTES AND RULES

Federal Rules of Criminal Procedure, Rule 17(c)(2) 2, 13

Arméniadès, Cour de Cassation Chambre Criminelle [Cass. Crim.], Paris, Dec. 12, 2007, Juris-Data No. 2007-332254 12

Restatement (Third) of Foreign Relations Law § 442 (1987) 12

United States Department of Justice, Criminal Resource Manual §§ 274-278 4

INTRODUCTION

In their Petition, Nossaman LLP, AU Optronics Corporation, and AU Optronics Corporation America showed that the circuits are split three ways with respect to the proper test for resolving a conflict between a grand jury subpoena and a civil protective order. The government does not deny the existence of the circuit split, but claims that the disagreement is more two-sided than three-sided, and petitioners would have lost in any of the circuits involved.

Not so. The government's law firm subpoenas would have been quashed in the First, Second, Third and Tenth Circuits. A three-way circuit split is squarely presented.

Petitioners showed that the Ninth Circuit's decision conflicts with long-settled limits on the geographic scope of grand jury subpoenas, effectively making them coextensive in scope with civil discovery in many cases. Rather than denying the effect of the decision, the government focuses on the fact that the foreign-based documents were in the United States when they were subpoenaed.

Nevertheless, the sole reason the documents were in this country, rather than overseas, was that AUO and the other defendants were ordered by the district court to produce those documents in the United States in connection with civil discovery.

Finally, petitioners pointed out that the Ninth Circuit's decision effectively wiped out the district

court's discretion under Rule 17(c)(2) of the Federal Rules of Criminal Procedure to quash grand jury subpoenas which are unreasonable and oppressive, substituting an inflexible rule that a civil protective order makes all countervailing interests irrelevant. The government does not deny that this is the effect of the court's decision.

The Ninth Circuit's decision widens a serious split in the circuits and conflicts with established law. With approximately fifty grand juries investigating alleged international price-fixing cartels, the issues presented here will recur. The Court should grant the petition and resolve these issues.

ARGUMENT

A. THE LAW FIRM SUBPOENAS WOULD LIKELY HAVE BEEN QUASHED IN THE FIRST, SECOND, THIRD AND TENTH CIRCUITS

The circuits are split on the issue of how the district courts should balance the important interests served by a civil protective order and a grand jury subpoena. (Pet., pp. 14-22.) The Ninth, Fourth and Eleventh Circuits apply a *per se* rule favoring grand jury subpoenas in all cases. The First and Third Circuits have held that a civil protective order may supersede a grand jury subpoena under extraordinary circumstances. The Second Circuit has held that the

civil protective order should prevail under most circumstances.

According to the government, petitioners overstate the severity of the circuit split. "The subpoenas at issue here would have been enforced in any circuit," the government insists. (Opp., p. 8.)

The government is incorrect.

1. The Government Disregards the Multi-Factor Test Adopted By the First and Third Circuits

The First Circuit has rejected the *per se* rule adopted by the Fourth, Ninth and Eleventh Circuits favoring grand jury subpoenas over civil protective orders in all cases. *In re Grand Jury Subpoena (Roach)*, 138 F.3d 442, 444-45 (1st Cir.), *cert. denied*, 524 U.S. 939 (1998). Instead, the Court held that a grand jury subpoena should supersede a protective order absent "exceptional circumstances that clearly favor subordinating the subpoena to the protective order." *Id.* at 445. The Third Circuit agrees with the First, holding that there is a "strong presumption" that a grand jury subpoena trumps a civil protective order absent a showing of "exceptional circumstances." *In re Grand Jury*, 286 F.3d 153, 163 (3d Cir. 2002).

According to the government, there is "little if any functional difference" between the rebuttable presumption of the First and Third Circuits and the

per se rule. (Opp., p. 9.) The government points to language from both Circuits suggesting that their intermediate test will seldom tilt in favor of quashing a subpoena: *e.g.*, *In re Grand Jury*, 286 F.3d at 162 (subpoena should govern "in the vast majority of cases"); 163 (presumption may be rebutted "only . . . in the rarest and most important of cases"); *Roach*, 138 F.3d at 445 (subpoena should "almost always" supersede a protective order).

The government makes no attempt, however, to apply the multi-factor test set forth by both courts. Analyzing those factors makes it clear that the First and Third Circuits would have quashed the subpoenas here.

The first factor is "the government's need for the information (including the availability of other sources)." *Roach*, 138 F.3d at 445; *In re Grand Jury*, 286 F.3d at 162.

This factor weighs heavily in favor of quashing the subpoenas, since the government has had, at all times, well-established alternative means for obtaining the materials it seeks: (1) letters rogatory; (2) requests through treaties, such as mutual legal assistance treaties or executive agreements; and (3) informal diplomatic requests. *See* United States Department of Justice, Criminal Resource Manual §§ 274-278; *see Société Nationale Industrielle Aérospatiale v. United States Dist. Ct.*, 482 U.S. 522, 543-44 (1987) (noting that comity might sometimes require that

cooperative methods of obtaining evidence overseas should be used in the first instance).

The government argues that quashing the law firm subpoenas "'may seriously impede'" the criminal investigation, "'shielding deponents from prosecutions for perjury'" and constituting a "*de facto* grant of immunity." (Opp., p. 18.) But as the government acknowledges, "all of the 'merits' witnesses from AUO" have "invoked their Fifth Amendment privilege . . . in their merits depositions in the civil case." (Opp., pp. 13-14.) The government's worries about witnesses testifying in the civil case but refusing to do so before the grand jury are misplaced.

The second and third factors are the severity of the contemplated criminal charges and the harm to society should the alleged wrongdoing go unpunished. *Roach,* 138 F.3d at 445; *In re Grand Jury*, 286 F.3d at 162. Because the government had alternative means at its disposal for obtaining the information, the government cannot contend that quashing the subpoenas would increase the risk of any wrongdoing going unpunished. These factors do not weigh in favor of enforcing the subpoenas.

The fourth and fifth factors are the interests served by confidentiality in the civil litigation and the value of the protective order to the timely resolution of that litigation. *Roach,* 138 F.3d at 445; *In re Grand Jury*, 286 F.3d at 162.

These factors weigh in favor of quashing the subpoenas. The Ninth Circuit's holding will have the

effect, in many cases, of making the geographic scope of a grand jury subpoena coextensive with Federal civil discovery. This raises serious concerns of international comity, given the long-standing foreign objections to the scope of American civil discovery. Requiring the government to seek the information at issue through diplomatic channels will promote due consideration of such nations' views.

Moreover, particularly in complex cases, protective orders allow the parties to make full disclosure in discovery without fear of public access to sensitive information and without the expense and delay of protracted discovery disputes. *United Nuclear Corp. v. Cranford Ins. Co.*, 905 F.2d 1424, 1427 (10th Cir. 1990), *cert. denied,* 498 U.S. 1073 (1991). AUO has produced millions of pages of confidential and trade secret information in the civil cases in reliance on the protective order.

The final three factors are the harm to the party who sought the protective order if the information is revealed to the grand jury, the severity of the harm alleged by the civil suit plaintiff, and the harm to society and the parties should encroachment on the protective order hamper the prosecution or defense of the civil case. *Roach,* 138 F.3d at 445; *In re Grand Jury*, 286 F.3d at 162.

These factors weigh in favor of quashing the subpoenas as well. Discovery will be open in a number of civil actions for some time. If all materials produced in civil discovery are to automatically come

within the scope of the law firm subpoenas, discovery disputes will inevitably multiply and adjudication of the civil claims will be slowed.

At least six of the eight factors adopted by the First and Third Circuits weigh in favor of quashing the law firm subpoenas. None weigh in favor of the Ninth Circuit's *per se* rule. The First and Third Circuits would have affirmed the district court's decision quashing the law firm subpoenas.

2. The Second Circuit Would Have Quashed the Law Firm Subpoenas

The Second Circuit has taken a different approach to these issues. In *Martindell v. International Tel. & Tel. Corp.*, 594 F.2d 291, 296 (2d Cir. 1979), the court held that a civil protective order should not be modified to accommodate a government request for information "absent a showing of improvidence in the grant [of the protective order] or some extraordinary circumstance or compelling need." The Second Circuit has applied the *Martindell* standard to conflicts between a government subpoena and a civil protective order. *In re Grand Jury Subpoena Duces Tecum Dated April 19, 1991,* 945 F.2d 1221, 1224-26 (2d Cir. 1991); *Palmieri v. State of New York,* 779 F.2d 861, 864, 866 (2d Cir. 1985).

The government argues that the Second Circuit would not have applied these authorities to quash the law firm subpoenas because the court's rule applies

only to deposition testimony given in reliance on a protective order. (Opp., pp. 12-13.)

The government is incorrect. The Second Circuit has applied its rule on at least three occasions to non-testimonial documents. *Gambale v. Deutsche Bank AG*, 377 F.3d 133, 143-44 (2d Cir. 2004); *Minpeco S.A. v. Conticommodity Servs., Inc.*, 832 F.2d 739, 740, 742-43 (2d Cir. 1987); *Palmieri*, 779 F.2d at 864-66.

Moreover, the government overlooks the fact that the civil protective order was entered in December 2007, before depositions had begun. *All* deposition testimony given in the civil actions was given in reliance on the protective order.

Next, the government claims that the Second Circuit would have "categorically" refused to quash the law firm subpoenas because the protective order in the civil actions is "temporary" and "limited." (Opp., pp. 12-13, 15-16, *citing Securities and Exch. Comm. v. TheStreet.com*, 273 F.3d 222, 231 (2d Cir. 2001).)

The government is wrong for several reasons. First, the government misreads *TheStreet.com*. The court did not hold that subpoenas must be enforced where a protective order is "temporary" and "limited." It held that under such circumstances, the question of whether to permit a third party access to protected materials is committed to the district court's discretion. *Id.* at 231.

Second, the Protective Order does not "exclude[ ] from its terms 'presentations of evidence and argument at hearings on dispositive motions and at trial,'" as the government claims. (Opp., p. 15.) Rather, the protective order provides that the issue of how such hearings and trial will be handled would be resolved later, by separate order. Govt. C.A. E.R. 48, 60. The protective order continues in force until "the final termination of this action, including any appeals," requiring that all protected material be returned or destroyed. Govt. C.A. E.R. 48, 59.

Finally, the government argues that the protective order is "limited" because it permits production of the protected materials to state attorneys general. (Opp., p. 15.) Not so. In fact, the order leaves state courts to decide the issue of whether documents should be produced in civil litigation to state attorneys general. Govt. C.A. E.R. 48, 58. AUO has not produced the documents at issue to any state. Indeed, the Illinois state trial court refused to compel production of the foreign-based documents, and the Illinois Attorney General has appealed the ruling.

But even if none of this were so, the government entirely overlooks the most important form of reliance implicated here – reliance by the district court. The district court did not finally order production of the foreign-based documents until August 2009, more than eighteen months after the protective order was entered. By overriding the protective order, the Ninth Circuit interfered with the detailed framework constructed by the district court to balance the

conflicting interests of the criminal investigation and the civil litigation.

The government cannot show that extraordinary circumstances or compelling need justifies enforcing the law firm subpoenas. The Second Circuit would have quashed the subpoenas.

3. The Tenth Circuit Would Likely Have Quashed the Law Firm Subpoenas As Well

Last year, in *Securities and Exch. Comm. v. Merrill Scott & Assoc., Ltd.*, 600 F.3d 1262 (10th Cir. 2010), the Tenth Circuit found that a showing of "unusual or extraordinary circumstances" was required to justify modifying a protective order to allow government access to protected materials. *Id.* at 1272-73.

The government responds that the Tenth Circuit's holding "does not suggest" that the court would necessarily find that a protective order outweighs a subpoena. (Opp., p. 10, n. 12.) The government is incorrect. The Tenth Circuit's decision in *Merrill Scott* parallels the Second Circuit's decision in *Martindell*. *Compare Merrill Scott,* 600 F.3d at 1272-73 *with Martindell*, 594 F.2d at 296. The Tenth Circuit would likely follow the Second Circuit and allow a grand jury subpoena to supersede a civil protective order only upon a showing of "extraordinary circumstances." Since no such circumstances are present here, the Tenth

Circuit would have affirmed the district court's order quashing the law firm subpoenas.

A three-way split in the circuits on the question of how to balance a conflicting civil protective order and grand jury subpoena is squarely presented here. The Court should grant the petition and resolve this important question.

B. THE NINTH CIRCUIT'S HOLDING RAISES SERIOUS ISSUES OF INTERNATIONAL COMITY

A Federal grand jury's subpoena power is subject to well-settled geographical limits. The grand jury has no power to subpoena materials located overseas from foreign companies or individuals. The Ninth Circuit's holding conflicts with this rule, effectively making the scope of a grand jury subpoena coextensive with Federal civil discovery. This major expansion of grand jury power raises serious concerns of international comity, justifying review. (Pet., pp. 23-25.)

The government shrugs off these issues, arguing that comity concerns are "at most, *de minimis*" since the subpoenaed documents are now in the United States and under the control of U.S. law firms. (Opp., p. 24.)

The government misses the point. The documents were not voluntarily brought into the United States. They are here solely because the district court

ordered their production *in the United States* in connection with civil discovery despite the "vociferous[ ]" opposition of AUO and the other foreign-based defendants. (App. 12a.)

Many foreign allies of the United States have long objected to the expansive scope of U.S. civil discovery. As a result, a number of countries have enacted "blocking statutes" prohibiting the removal of documents located on their soil in response to foreign discovery demands. *See* Restatement (Third) of Foreign Relations Law § 442 (1987), Reporters Note No. 4 (summarizing history and citing foreign statutes).[1] If compliance with such civil discovery demands can now be expected to place foreign-based documents within the scope of a Federal grand jury subpoena, it seems likely that major U.S. allies will move to vigorously enforce their blocking statutes.

The government also argues that courts lack the authority to consider comity, because the judgment of

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[1] Although American courts have frequently declined to accept foreign blocking statutes as a valid excuse for noncompliance with discovery orders, *e.g.*, *Société Nationale Industrielle*, 482 U.S. at 544, n. 29, many have cited what they believed to be the unlikelihood of foreign prosecution in support of their holding. *E.g.*, *Strauss v. Credit Lyonnais SA*, 242 F.R.D. 199, 221 (E.D.N.Y. 2007). This view may be ripe for reconsideration in view of the recent decision of France's Supreme Court affirming a criminal fine in connection with a French lawyer's violation of the French blocking statute. *Arméniadès*, Cour de Cassation Chambre Criminelle [Cass. Crim.], Paris, Dec. 12, 2007, JurisData No. 2007-332254.

the Executive Branch is final with respect to all matters of international relations. (Opp., p. 25.) The government's argument fails. Federal courts frequently apply concepts of comity in adjudicating cases with international aspects. *E.g.*, *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 797 (1993); *Société Nationale Industrielle*, 482 U.S. at 543-44 & n. 27.

C. THE NINTH CIRCUIT'S HOLDING UNNECESSARILY LIMITS THE DISTRICT COURT'S DISCRETION UNDER RULE 17(c)(2)

Although grand juries possess broad investigatory powers, those powers are not unlimited. Rule 17(c)(2) of the Federal Rules of Criminal Procedure confers discretion on the district court to quash a grand jury subpoena if compliance would be "unreasonable and oppressive." The Ninth Circuit's *per se* rule, which provides that the district court is stripped of its discretion whenever a civil protective order is in place, is irreconcilable with Rule 17(c)(2). (Pet., pp. 25-28.)

The government argues that "nothing" in the decision limits the district court's discretion under Rule 17(c)(2). Rather, the court merely held that "the existence of a protective order alone does not make compliance unreasonable or oppressive." (Opp., pp. 26-27.)

At the time of the Ninth Circuit's decision, the district court had managed the parallel criminal and civil actions for several years, carefully balancing the

parties' right to move forward with litigating the civil cases against the interests of the government in the criminal investigation. As should be evident from the discussion above, this case presents a variety of serious issues. But the Ninth Circuit declined to consider any of them, holding that the district court lacked discretion to do anything other than automatically enforce the law firm subpoenas. The *per se* rule applied by the Ninth Circuit "trench[es] upon legitimate concerns." *In re Grand Jury Subpoena*, 138 F.3d at 445. In the apt words of the First Circuit, "[a]lways bringing overwhelming force to bear may be acceptable military strategy, but the law often requires a more nuanced approach." *Id.*

CONCLUSION

For the reasons set forth in the petition and above, the petition for writ of certiorari should be granted.

Respectfully submitted,

KIRK C. JENKINS
Counsel of Record
SEDGWICK, DETERT, MORAN
& ARNOLD LLP

CHRISTOPHER A. NEDEAU
VERONICA L. HARRIS
NOSSAMAN LLP

Counsel for Petitioners
Nossaman LLP,
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America